

EXHIBIT 1

INTRODUCTION

Respondent George Runner (“Runner”) was a successful candidate for the California State Senate in the March 2004 primary election, and November 2004 general election. Respondent George Runner for Senate - 2004 (“Committee”) was Respondent Runner’s controlled committee, which was formed on or about April 30, 2001, and terminated on or about May 23, 2005. Respondent Rita Burleson (“Burleson”) served as Respondent Committee’s assistant treasurer at all times relevant to this matter.

This case arose from an audit of Respondent Committee by the Franchise Tax Board (“FTB”) for the period January 1, 2001 through December 31, 2004. During the period covered by the audit, Respondent Committee received approximately \$431,356 in contributions and made approximately \$435,640 in expenditures. The FTB found that Respondents Runner, Committee, and Burleson processed contributions totaling approximately \$61,839 and expenditures totaling approximately \$28,039 in connection with the Senate campaign through the bank account of Respondent Runner’s State Assembly committee, accepted two contributions in excess of the contribution limit, and failed to disclose occupation and employer information for five contributors of \$100 or more, as required by the Political Reform Act (the “Act”)¹.

For the purposes of this stipulation, Respondents’ violations of the Act are stated as follows:

COUNT 1: Respondents George Runner, George Runner for Senate - 2004, and Rita Burleson failed to establish a campaign bank account for the State Senate primary/general elections upon receiving contributions on or between April 20, 2001 and May 23, 2002, in violation of section 85201, subdivision (a).

COUNT 2: On or between April 30, 2001 and June 27, 2003, Respondents George Runner, George Runner for Senate - 2004, and Rita Burleson accepted two contributions that exceeded the \$3,200 contribution limit in connection with the March 2, 2004 State Senate primary election, in violation of section 85301, subdivision (a).

COUNT 3: Respondents George Runner, George Runner for Senate - 2004, and Rita Burleson failed to disclose the occupation and employer information for five individuals who contributed \$100 or more, in

¹ The Political Reform Act is contained in Government Code sections 81000 through 91014. All statutory references are to the Government Code, unless otherwise indicated. The regulations of the Fair Political Practices Commission are contained in sections 18109 through 18997 of title 2 of the California Code of Regulations. All regulatory references are to title 2, division 6 of the California Code of Regulations, unless otherwise indicated.

violation of section 84211, subdivision (f) and 85309, subdivision (a).

SUMMARY OF THE LAW

Duty to Establish a Campaign Bank Account

Pursuant to section 85201, subdivision (a), prior to the solicitation or receipt of any contribution for his or her campaign, a candidate for elective office is required to establish one campaign bank account at an office of a financial institution located in the state. All contributions or loans made to the candidate, to a person on behalf of the candidate, or to the candidate's controlled committee must be deposited in the account. (Section 85201, subd. (c).) All campaign expenditures must be made from the account. (Section 85201, subd. (e).)

Duty to Abide by Contribution Limits

The Act imposes limits on the acceptance of contributions by candidates for elective state office. Section 82015, subdivision (a) defines a "contribution" as any payment, including a loan, made for political purposes for which full and adequate consideration is not made to the donor. Regulation 18215, subdivision (a) provides that a payment is made for political purposes if it is made for the purpose of influencing or attempting to influence the action of the voters for or against the nomination or election of a candidate, or if it is received by a candidate. Section 82007 defines a "candidate" to include an individual who receives a contribution or makes an expenditure with a view of bringing about his or her election to any elective office. Section 82024 defines "elective state office" to include the office of a member of the Legislature.

Under section 85301, subdivision (a), a candidate for elective state office other than a candidate for statewide elective office may not accept from any person, other than a small contributor committee or political party committee, any contribution totaling more than \$3,000. Section 83124 requires the Commission to biennially adjust the contribution limit in section 85301 to reflect changes in the Consumer Price Index. The contribution limit was adjusted to \$3,200 for elections held in 2004. Under regulation 18531, subdivision (a), a candidate for elective state office is deemed not to have accepted a contribution in excess of the \$3,000 contribution limit if the contribution is returned, prior to deposit or negotiation, within 14 days of receipt.

Duty to File Periodic Campaign Statements

An express purpose of the Act, as set forth in section 81002, subdivision (a), is to ensure that receipts and expenditures in election campaigns are fully and truthfully disclosed, so that voters may be fully informed, and improper practices may be inhibited. The Act therefore establishes a campaign reporting system designed to accomplish this purpose of disclosure.

Section 82013, subdivision (a) defines a “committee” as any person or combination of persons who directly or indirectly receives contributions totaling \$1,000 or more in a calendar year. This type of committee is commonly referred to as a “recipient” committee. Under section 82016, subdivision (a), a recipient committee that is controlled directly or indirectly by a candidate is a “controlled committee.”

Section 84200 requires candidates and their controlled committees to file two semi-annual campaign statements each year. The first semi-annual campaign statement covers the reporting period from January 1 to June 30, and must be filed by July 31 of the same year. The second semi-annual campaign statement covers the reporting period from July 1 to December 31, and must be filed by January 31 of the following year.

Duty to File Electronic Campaign Statements

Any candidate or committee who is required to file statements, reports, or other documents in connection with a state elective office is required to file online or electronically with the Secretary of State provided that the total cumulative reportable amount of contributions received or expenditures made is \$50,000 or more. (Section 84605, subd. (a).)

Under section 85309, subdivision (a), a candidate for elective state office who is required to file reports pursuant to section 84605 is also required to file online or electronically with the Secretary of State a report disclosing receipt of a contribution of \$1,000 or more received during an election cycle. Section 85204 defines “election cycle,” for the purposes of section 85309, as the period of time commencing 90 days prior to an election and ending on the date of the election. Those reports must disclose the same information required by subdivision (a) of section 84203 and are required to be filed within 24 hours of receipt of the contribution.

Section 84203, subdivision (a), requires the recipient of the contribution to report the following contributor information: the full name of the contributor; his or her street address; occupation; and the name of his or her employer, or if self-employed, the name of the business.

Duty to Disclose Contributor Information on Campaign Statements

Section 84211, subdivision (f) requires a candidate and his or her controlled committee to report on each campaign statement the following information about a person if the cumulative amount of contributions received from that person is \$100 or more and a contribution has been received from that person during the reporting period covered by the campaign statement: (1) the contributor’s full name; (2) the contributor’s street address; (3) the contributor’s occupation; (4) the name of the contributor’s employer, or if self-employed, the name of the contributor’s business; (5) the date and amount of each contribution received from the contributor during the reporting period; and (6) the cumulative amount of contributions received from the contributor.

Treasurer Liability

Under section 81004, subdivision (b), section 84100, and regulation 18427, subdivision (a), it is the duty of a committee's treasurer to ensure that the committee complies with all of the requirements of the Act concerning the receipt and expenditure of funds, and the reporting of such funds. A committee's treasurer may be held jointly and severally liable, along with the committee, for any reporting violations committed by the committee. (Sections 83116.5 and 91006.)

SUMMARY OF THE FACTS

Respondent George Runner was a successful candidate for the California State Senate, 17th District, in the March 2, 2004 primary election and November 2, 2004 general election, and is currently serving in the California State Senate. Respondent Committee was Respondent Runner's controlled committee. Respondent Burleson served as Respondent Committee's assistant treasurer at all times relevant to this matter.

COUNT 1

Failure to Establish a Campaign Bank Account

Respondent Runner was required to establish a campaign bank account upon the filing of his statement of intention to be a candidate for State Senate in 2004, under section 85201.

In early 2001, Respondent Burleson contacted the FPPC about redesignating "Friends of George Runner," a committee originally established to support Respondent Runner's 1998 campaign for State Assembly, so that it could be used for his 2004 Senate campaign. However, Respondent Burleson asked the wrong question. She asked whether the committee's name could be changed by amending the statement of organization, and was told yes. Respondent Burleson misinterpreted this advice to mean that she could redesignate the committee. Had she asked whether the Assembly committee could be redesignated for the Senate campaign, the answer would have been no.

On or about February 20, 2001, Respondent Runner filed his statement of intention to be a candidate in the 2004 election for State Senate with the Secretary of State. On or about March 6, 2001, Respondents Runner and Burleson changed the existing committee's name to "Friends of Runner for Senate." Respondents received their first contribution for the Senate campaign on or about April 20, 2001, and Respondent Committee was formed, pursuant to section 82013, subdivision (a), on or about April 30, 2001.

During the campaign reporting periods from January 1, 2001 through December 31, 2001, monetary contributions received and expenditures made in connection with Respondent Runner's 2004 Senate campaign totaling approximately \$61,839 and \$28,039, respectively, were processed through the bank account of Friends of George

Runner, the Assembly campaign committee. Both the Assembly officeholder and Senate campaign activities were reported in the same campaign statements.

Respondent Burleson told the FTB auditor that when the error was discovered, she contacted the FPPC immediately and followed its guidance to correct the problem. On or about May 22, 2002, Respondents changed the Committee's name back to Friends of George Runner and indicated this was his Assembly officeholder committee. Respondents also established a separate bank account, and filed a Statement of Organization for George Runner for Senate – 2004 with the Secretary of State. On or about June 12, 2002, Respondents separated the two committees' activities by amending the previously filed campaign statements to disclose Respondent Runner's Assembly officeholder activity, and by filing semi-annual campaign statements to disclose Respondent Committee's Senate campaign activity.

By failing to establish a separate campaign bank account for Respondent Committee upon the filing of the statement of intention, Respondents violated section 85201.

COUNT 2

Acceptance of Contributions in Excess of the Contribution Limit

As Respondent Runner was a candidate for elective state office, in 2004 Respondents were prohibited from accepting a contribution from a person, other than a small contributor committee or political party committee, in excess of the \$3,200 contribution limit per election, under sections 85301, subdivision (a) and 83124.

Respondents received the following two contributions from High Desert Medical Group in connection with the March 2, 2004 primary election: \$1,000 on May 10, 2001 and \$3,200 on June 25, 2003. These contributions totaled \$4,200, which was \$1,000 over the legal contribution limit of \$3,200 for the election. The FTB found no record that the amount over the limit was returned to the contributor.

Respondents received the following two contributions from Sierra Toyota in connection with the March 2, 2004 primary election: \$1,000 on April 30, 2001 and \$3,200 on June 27, 2003. These contributions totaled \$4,200, which was \$1,000 over the legal contribution limit of \$3,200 for the election. The FTB found no record that the \$1,000 amount over the limit was returned to the contributor.

By accepting two contributions that exceeded the legal contribution limit for the 2004 primary election, Respondents violated section 85301, subdivision (a).

COUNT 3
Failure to Disclose Required Contributor Information

Respondents Runner, Committee, and Burleson had a duty to disclose in campaign statements the occupation and employer information for contributors of \$100 or more, under section 84211, subdivision (f).

Respondents failed to disclose the occupation and employer information for four individuals who contributed \$100 or more, for a total of \$1,175, in a semi-annual campaign statement for the reporting period from January 1, 2001 through June 30, 2001, in violation of section 84211, subdivision (f). Respondents also failed to disclose the occupation and employer information for one individual who contributed \$1,000 during the election cycle reporting period from August 4, 2004 through November 2, 2004, in an election cycle report filed October 7, 2004, in violation of section 85309, subdivision (a). The following table sets forth the receipt date and amount of each contribution, and the name of the contributor.

Date Received	Contributor	Amount
05/11/01	Cameron Smyth	\$ 125.00
05/11/01	Paul ² Martinez	250.00
05/11/01	Theodore Brunner	300.00
05/23/01	Thomas Veloz	500.00
10/07/04	Mee Song	1,000.00
	Total	\$2,175.00

By failing to disclose required occupation and employer information for five individuals, Respondents violated sections 84211, subdivision (f) and 85309, subdivision (a).

CONCLUSION

This matter consists of three counts of violating the Act, which carries a maximum administrative penalty of Fifteen Thousand Dollars (\$15,000).

In determining the appropriate penalty for a particular violation of the Act, the Enforcement Division considers the typical treatment of a violation in the overall statutory scheme of the Act, with an emphasis on serving the purposes and intent of the Act. Additionally, the Enforcement Division considers the facts and circumstances of the violation in context of the factors set forth in regulation 18361.5, subdivision (d)(1)-(6): the seriousness of the violations; the presence or lack of intent to deceive the voting public; whether the violation was deliberate, negligent, or inadvertent; whether the Respondent demonstrated good faith in consulting with Commission staff; whether there

² Contributor's check reflects Robert as the first name of the contributor.

was a pattern of violations; and whether the Respondent, upon learning of the violations, voluntarily filed appropriate amendments to provide full disclosure.

Regarding Count 1, the administrative penalty for failure to establish a campaign bank account and deposit all contributions made to a candidate into that bank account has been in the mid-to-high end of the penalty range, depending on the circumstances of the case. Here, while a significant amount of Senate campaign contributions and expenditures were processed through Respondent Runner's Assembly committee bank account, the public harm caused by this violation was not serious as there was no intent to deceive, and Respondents' Senate campaign activity was disclosed and available to the public. Additionally, Respondents demonstrated good faith when they contacted the FPPC as soon as they became aware of the error and voluntarily amended and/or filed the appropriate campaign statements to correct the mistakes. Therefore, imposition of an administrative penalty of \$2,000 for this violation is appropriate.

Regarding Count 2, the conduct of accepting a contribution in excess of the applicable contribution limit is a serious violation of the Act as it harms the integrity of the election process. In this case, Respondent Burleson told the FTB that during the process of deleting some records from the Friends of George Runner and moving the information to Respondent Committee, some vital contributor information was lost, and despite double checking the adjustments, some errors were made. This excuse is not convincing as the initial \$1,000 contributions received from High Desert Medical Group and Sierra Toyota in 2001 were disclosed in Respondent Committee's campaign statements. Respondents should have been aware of the prior contributions and should not have accepted more than \$2,200 from either contributor. As a condition of settlement, Respondents are to return the two \$3,200 contributions that caused them to exceed the contribution limit, for a total of \$6,400. Additionally, imposing an administrative penalty of \$2,000 for this violation is appropriate.

Regarding Count 3, the administrative penalty for the failure to disclose occupation and employer information has been in the mid-to-high end of the penalty range, depending on the circumstances of the case. In this matter, the total amount of \$2,175 in contributions received from the five contributors is relatively small compared to the total amount of contributions received during the audit period. Also, Respondent Burleson stated that, for four of the five contributors in question, during the process of deleting various records from the Friends of George Runner and moving the information to Respondent Committee, some vital contributor information was lost. In light of these factors, imposition of an administrative penalty in the amount of \$1,500 is appropriate for this violation.

Accordingly, the facts of this case justify imposition of a total administrative penalty of Five Thousand Five Hundred Dollars (\$5,500), plus the return of a total of Six Thousand Four Hundred Dollars (\$6,400) in contributions Respondents accepted in excess of the contribution limit.